Inadequate supply of finance to rural poor

2920. SHRIMATI AMBIKA SONI:
DR. T. SUBBARAMI REDDY:

Will the Minister of FINANCE be pleased to state:

(a) whether World Bank has held various policies of Government responsible for a highly inadequate supply of finance to rural poor;

(b) whether in a report titled "Scaling up access to finance for India's rural poor", World Bank has pointed out that a combination of various factors has affected both banks and their clients;

(c) whether this has dried up costs and hampered access to poor;

(d) if so, Governments reaction on World Bank report and whether Government have suggested any measures to be taken in this regard; and

(e) by when final decision in implementing suggestions made by World Bank is considered?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) World Bank has brought out a report in December 2004 titled "Scaling up Access to Finance for India's Rural Poor". Certain observations have been made in the report regarding functioning of rural financial institutions in India including problems faced by rural poor relating to absence of flexible products & services, high transaction costs, insistence on collaterals and interest rate restrictions. Certain suggestions have been made including providing flexible products at competitive prices to rural poor, need for composite financial services, simplification of banking procedures, better staffing policies and door step banking, use of technology etc. Further, it has been suggested to revisit the policies on setting caps on interest rate on deposits and advances, priority sector lending, restructuring the RRBs and Rural Cooperative Banks, better regulation and supervision and active role of Government in facilitating rural finance markets.

(d) and (e) Government and RBI constantly monitor the credit needs of different sectors of the economy and undetake corrective measures, whenever required, to ensure that adequate funds flow to Agriculture, Small & Medium Enterprises and such other important sectors. RBI has already

set up an Internal Working Group to review the existing policy on priority sector lending. The interest rate on advances has already been deregualted in 1997. Further, the following steps taken, *inter-alia,* led to enhanced credit flow in rural areas. Credit flow to agriculture alone has increased by 32% from Rs. 86.981 crore in 2003-04 to Rs. 1,15,242 crore in 2004-05:—

(i) The banks have been asked to simplify the procedure for sanction of loan.

(ii) One page documentation has been circulated among banks for adoption.

(iii) Reserve Bank of India has instructed banks not to insist on collateral or margin for loans upto Rs. 50000/-.

(iv) Banks have been asked to issue Kisan Credit Cards to all eligible farmers.

(v) Financing of Self Help Groups is being emphasised.

(vi) A project has been initiated for lending by banks to joint liability groups of tenant farmers and oral lessees.

(vii) Indian Banks' Association has advised public sector banks to charge an interest rate of not more than 9% per annum on crop loans upto Rs. 50,000.

New Bank Credit in priority sector

2921. SHRI THENNALA G. BALAKRISHNA PILLAI:
SHRI SANTOSH BAGRODIA:
SHRI K.B. KRISHNA MURTHY:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that as per Reserve Bank of India (RBI) guidelines, banks have to deploy 40 per cent of the total Net Bank Credit (NBC) in the priority sector;

(b) whether it is also a fact that actual credit disbursement by most of the banks was short of stipulated level;

(c) the details of total agricultural advances given by banks as on March, 2003; and

(d) steps taken to achieve the NBC targets?